

Creating a Market Analysis Program

HB 1532/SB 5717

Testimony of Insurance Commissioner Mike Kreidler

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Senate Financial Institutions and Insurance Committee

10 a.m.

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Good morning.

I'd like to give you a brief overview of what we do at the Office of the Insurance Commissioner and explain how this new market analysis program fits into our mission.

Our number one priority is consumer protection:

- We answer more than 100,000 calls a year
- Help consumers with their questions and
- Advocate on their behalf when they have a dispute with their insurance company.

We review insurers' contracts and what they charge for their policies:

- To be sure rates are neither excessive...
- Nor inadequate.

We regulate the 1,400 insurance companies doing business in Washington:

- To ensure they are financially solvent...
- And capable of paying claims.

And we want to make sure that companies actually operate in the marketplace the way they've promised to. This is what is known as "market conduct."

Among what we look at when we examine a company's market conduct:

- Operations/management
- Marketing and sales
- Policyholder service
- Claims processing
- Complaint handling

The current practice of market conduct has been around for a very long time... and is a retrospective analysis of what companies have done in the past.

Under our proposed market analysis approach of regulation, we would rely on information technology to analyze how companies are currently performing instead of how they've performed in the past.

Today, we're required to perform a full examination of all companies based in this state every 5 years.

Market analysis gives us the tools to evaluate current practices in the marketplace – and focus on the companies where we suspect problems.

- It's much less intrusive and less expensive.
- And most importantly, it provides better consumer protection. We get a real time snapshot of how consumers are being treated.

Without this new market analysis program:

- We'd be forced to regulate a sophisticated 20th century industry...
- Using 19th century tools.

A battle over insurance regulation is driving this shift

There is significant pressure from some of the big insurers and large banks to hand over regulation of insurance to the federal government.

- This would be a huge step backward for consumer protection.
- It also would put a dent in state revenue.

(We are the 2nd largest state agency contributor to the General Fund – behind the Dept. of Revenue.)

One of the key factors behind the push for federal regulation is the lack of uniformity among states in how they perform market conduct.

This bill would create uniformity and a standard process that today varies greatly from state to state.

Our legislation is based largely on a National Association of Insurance Commissioners model law that was developed for states to address this issue.

We have worked with the insurance industry for nearly a year now on this legislation and have asked for specific recommendations if they have issues.

If we make this shift toward market analysis, everyone wins.

- It's a win for regulators – allows us to focus our resources.
- It's a win for companies – less intrusive and less expensive.
- And most importantly, it's a win for consumers – we'll be able to identify market problems in real time.

Thank you.